

Section 11

Supplemental Guidance for Agreed-Upon Procedures Attestation Engagements

This section establishes a Supplemental Audit Standards Plan that provides guidance for attestation engagements to be conducted in accordance with generally accepted government auditing standards (GAGAS). For attestation engagements, GAGAS incorporate the American Institute of Certified Public Accountants (AICPA) general standard on criteria, and the field work and reporting standards and the related Statements on Standards for Attestation Engagements (SSAE), unless specifically excluded or modified by GAGAS.

Agreed-Upon Procedures Attestation Engagements

As stated earlier in Section 1 of this manual, the Yellow Book defines an attestation engagement as:

An engagement concerned with examining, reviewing, or performing *agreed-upon procedures* on a subject matter or an assertion about a subject matter and reporting on the results.

However, the only attestation engagements the Office of the City Auditor conducts are agreed-upon procedures. The City Auditor will only perform agreed-upon procedures if the subject matter is capable of evaluation against criteria that are suitable and available to users. By specifying the procedures we agreed to perform, the department/agency requesting the review is responsible for ensuring that the procedures are sufficient to meet their purposes, and we make no representation in that respect. These reports are intended solely for the information and use of the management of the City and are not intended to be and should not be used by anyone other than these specified parties.

Supplemental Audit Standards Plan

The following Supplemental Audit Standards Plan must be completed when auditors conduct an Agreed-Upon Procedures Attestation Engagement. It should be completed as an addendum to the Audit Standards Plan found in Section 3 of this manual.

SUPPLEMENTAL AUDIT STANDARDS PLAN – FOR AGREED-UPON PROCEDURES ATTESTATION ENGAGEMENTS

1. FIELD WORK STANDARDS FOR ATTESTATION ENGAGEMENTS: AICPA STANDARDS

<p>For attestation engagements (GAS 6.01, 6.02), GAS incorporates the AICPA general standard on criteria and its fieldwork standards, as well as the related AICPA Statements on Standards for Attestation Engagements. These AICPA standards are identified in GAS. Consideration should be given to all applicable AICPA standards in completing quality control reviews using this guide.</p> <p>GAS incorporates the following AICPA standards for financial audits and attestation engagements:</p> <ul style="list-style-type: none"> (a) The work is to be adequately planned and assistants, if any, are to be properly supervised. (GAS 6.04) (b) While not necessarily required under AICPA standards, GAS establishes a similar standard regarding internal controls that are material to the subject matter or assertion in examination-level attestation engagements. (GAS 6.10, 6.11) (c) Sufficient evidence is to be obtained to afford a reasonable basis for the auditor's opinion/conclusion. (6.04) (d) For attestation engagements only, auditors shall perform the engagement only if the subject matter is capable of evaluation against criteria that are suitable and available to users. (GAS 6.03) 	<p>The planning of the agreed-upon procedures will be documented by indicating the methodology used to perform the agreed-upon procedures, and the work will be properly supervised as indicated by the Audit Manager's or Lead Auditor's initials on the work papers and date of review.</p> <p>Auditors will review internal controls that are material to the subject matter.</p> <p>Sufficient evidence will be obtained to afford a reasonable basis for the auditor's opinion/conclusion.</p> <p>Auditors will determine if the subject matter is capable of evaluation against criteria that are suitable and available to users.</p>	<p>Results or W/P Reference:</p>
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2. FIELD WORK STANDARDS FOR ATTESTATION ENGAGEMENTS: AUDITOR COMMUNICATION

<p>Auditors should communicate, in writing, the following information to entity management, those charged with governance, and to individuals contracting for or requesting the engagement:</p> <ul style="list-style-type: none"> (a) The auditor's understanding of the services to be performed; (b) The nature, timing and extent of planned testing; (c) The level of assurance to be provided; (d) Any potential restrictions on the auditor's report; <p>If an audit/engagement is terminated before it is completed, auditors should document the results of their work up to termination and the reason for termination. Auditors should use professional judgment to determine whether and how to communicate the reason for termination. (6.06-6.08)</p>	<p>The agreed-upon procedures audit report will be sent to the appropriate management and those in charge with governance. It will include the following:</p> <p>The auditor's understanding of the services to be performed;</p> <p>The nature, timing and extent of planned testing;</p> <p>The level of assurance to be provided;</p> <p>Any potential restrictions on the auditor's report.</p> <p>If the engagement is terminated before it is completed, auditors will document the results of their work up to termination and the reason for termination.</p>	<p>Results or W/P Reference:</p>
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3. FIELD WORK STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>PREVIOUS AUDITS AND ATTESTATION ENGAGEMENTS</u>		
<p>Auditors should evaluate whether appropriate corrective action has been taken and recommendations implemented to address findings and recommendations from previous audits, attestation engagements, and other studies directly related to the objectives of the audit.</p> <p>Auditors should use this information in assessing risk and determining the nature, timing, and extent of current work. (GAS 6.09)</p>	<p>For agree-upon procedures engagements, auditors will review all previous audit reports issued that are directly related to the objectives of engagement.</p> <p>Determine if corrective actions have been taken by management by implementing the recommendations made.</p> <p>This information will be used to evaluate the risks related to the engagement to determine the potential impact of the work to be performed.</p>	Results or W/P Reference:
4. FIELD WORK STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>FRAUD, ILLEGAL ACTS, VIOLATIONS AND ABUSE</u>		
<p>Auditors have the following responsibilities relating to fraud, illegal acts, and violations of provisions of contracts or grant agreements in financial audits and attestation engagements:</p> <p>For review-level and agreed-upon-procedure-level attestation engagements, auditors should be alert for indications of fraud, illegal acts or violations of contract or grant provisions. If such indications exist that could materially affect the subject matter of the engagement, auditors should apply procedures to ascertain whether fraud, illegal acts or violations of contract or grant provisions has occurred and the effect on the engagement. Because the scope of these types of engagements is limited, auditors are not expected to provide reasonable assurance of detecting fraud, illegal acts or violations of contract or grant agreement provisions. (GAS 6.13b)</p> <p>Auditors should be alert for indications of abuse. If indications of abuse exist that could significantly affect the audit/engagement, auditors should apply procedures to ascertain whether abuse has occurred and the effect on the audit/engagement. Because the determination of abuse is subjective, auditors are not expected to provide reasonable assurance of detecting abuse. (GAS 6.14)</p> <p>Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse in order not to interfere with potential investigations, legal proceedings, or both. (GAS 6.29)</p>	<p>For all agreed-upon procedures reviews, audit staff involved will be on alert for indications of fraud, illegal acts, violations of contract or grant provisions, and abuse that could materially affect the subject matter of the engagement.</p> <p>If such indicators exist, additional audit procedures will be conducted to ascertain whether fraud, illegal acts, violations of contract or grant provisions, or abuse has occurred, and the effect on the engagement will be evaluated.</p> <p>Auditors will exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse in order not to interfere with potential investigations, legal proceedings, or both.</p>	Results or W/P Reference:

5. FIELD WORK STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>ELEMENTS OF A FINDING</u>		
<p>Audit findings may involve deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse. Auditors should plan and perform procedures to develop the elements of findings that are relevant and necessary to achieve the audit objectives. The elements of an audit finding are: criteria, condition, cause, and effect or potential effect. (GAS 6.15-6.19)</p>	<p>Auditors will plan and perform procedures to develop the elements of findings, including the criteria, condition, cause, and effect or potential effect that are relevant and necessary to achieve the audit objectives.</p>	<p>Results or W/P Reference:</p>
6. FIELD WORK STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>DOCUMENTATION</u>		
<p>For attestation engagements: Auditors should prepare attest documentation in sufficient detail to enable an experienced auditor to understand the nature, timing, extent, and results of procedures performed, the evidence obtained, the sources of evidence, and the conclusions reached. In addition to other documentation requirements explicitly addressed in GAS and AICPA standards, auditors should document the following:</p> <ul style="list-style-type: none"> (a) the objectives, scope and methodology of the audit/engagement; (b) the work performed to support significant judgments and conclusions, including descriptions of transactions and records examined; (c) evidence of supervisory review, before the engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the engagement report; <i>{Clarification: As with all quality controls established by an audit organization, the nature and extent of the review of audit work may vary depending on a number of factors. See GAS 3.51-3.52.}</i> (d) the auditor's consideration that planned procedures are designed to achieve objectives when evidential matter obtained is highly dependent on computerized information systems and is material to the objective, and the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information. <p>(GAS 6.20-6.23)</p> <p>Audit organizations should establish policies and procedures for:</p> <ul style="list-style-type: none"> (a) Record retention whether documentation is in paper, electronic, or other media (b) Handling requests by outside parties to obtain access to audit documentation <p>(GAS 4.22 – 4.24, 6.24-6.26)</p>	<p>Auditors will prepare attest documentation in sufficient detail to enable an experienced auditor to understand the nature, timing, extent, and results of procedures performed, the evidence obtained, the sources of evidence, and the conclusions reached.</p> <p>Auditors will document the following:</p> <p>The objectives, scope and methodology of the audit;</p> <p>The work performed to support significant judgments and conclusions, including descriptions of transactions and records examined;</p> <p>Evidence of supervisory review, before the engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the engagement report as indicated by initials and date;</p> <p>The auditor's consideration that planned procedures are designed to achieve objectives when evidential matter obtained is highly dependent on computerized information systems and is material to the objective, and the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information.</p> <p>Audit work paper will be retained and access provide to outside parties in accordance with the Disclosing Working Papers in Section 6 of the Audit Manual.</p>	<p>Results or W/P Reference:</p>

7. REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AICPA STANDARDS

For attestation engagements (GAS 6.01, 6.02), GAS incorporates the AICPA reporting standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE). Some of these AICPA standards are presented in GAS. Consideration should be given to all applicable AICPA standards in completing quality control reviews using this guide.

The four AICPA reporting standards for all levels of attestation engagements are as follows (GAS 6.30, 6.31):

- (a) The report must identify the subject matter or the assertion being reported on and state the character of the engagement.
- (b) The report must state the auditor's conclusions about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated.
- (c) The report must state all of the auditor's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto.
- (d) The report must state that the use of the report is restricted to specified parties under the following circumstances: (1) when the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria, (2) when the criteria used to evaluate the subject matter are available only to specified parties, (3) when reporting on subject matter and a written assertion has not been provided by the responsible party, and (4) when the report is on an attest engagement to apply agreed-upon procedures to the subject matter.

All agreed-upon procedures reports will state the following when auditors comply with all applicable GAS requirements:

We conducted our work in accordance with Generally Accepted Government Auditing Standards. These standards provide guidance on performing and reporting on the results of agreed-upon procedures. By specifying the procedures we agreed to perform, the department/agency requesting the review is responsible for ensuring that the procedures are sufficient to meet their purposes, and we make no representation in that respect. Our review is intended solely for the information and use of the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

In addition, all agreed-upon procedures reports will identify the subject matter and assertions being reported on and state the character of the engagement.

It will state the auditor's conclusions about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated.

The report will state all of the auditor's significant reservations about the engagement, the subject matter, and, if applicable, the assertions made.

Auditors will report on any applicable standards that were not followed. If this occurs the report will include why the standards were not followed and how if affected or could have affected the results of the audit engagement.

Results or W/P Reference:

<p>Reports should state that the audit or attestation engagement was performed in accordance with GAS. Auditors may also cite AICPA standards in addition to citing GAS. Auditors should disclose which applicable standards are not followed, why, and how it affected or could have affected the results of the audit/engagement. (GAS 1.12, 1.13, 6.32)</p>	<p>All agreed-upon procedures reports will state the following when auditors comply with all applicable GAS requirements:</p> <p>We conducted our work in accordance with Generally Accepted Government Auditing Standards. These standards provide guidance on performing and reporting on the results of agreed-upon procedures. Auditors will report on any applicable standards that were not followed. If this occurs the report will include why the standards were not followed and how if affected or could have affected the results of the audit engagement.</p>	<p>Results or W/P Reference:</p>
<p>8. REPORTING STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>REPORTING DEFICIENCIES IN INTERNAL CONTROL, FRAUD, ILLEGAL ACTS, VIOLATIONS, AND ABUSE</u></p>		
<p>For financial audits, including audits of financial statements in which the auditor provides an opinion or disclaimer, and for attestation engagements, auditors should report, as applicable to the objectives of the audit/engagement, and based upon the audit work performed:</p> <ul style="list-style-type: none"> • significant deficiencies in internal control, identifying those considered to be material weaknesses • all instances of fraud and illegal acts unless inconsequential (a) violations of provisions of contract or grant agreements and abuse that could have a material effect on the financial statements. (GAS 6.33, 6.34) (b) Auditors should document communication to officials of the audited entity internal controls deficiencies that have an inconsequential effect on the financial statements. (GAS 6.35) (c) When violations of provisions of contracts or grant agreements or abuse are less than material but more than inconsequential the auditors should communicate those findings in writing to officials of the audited entity. Auditors should document communication to officials of the audited entity violations or abuse that is inconsequential (GAS 6.36, 6.37) (d) In two circumstances, auditors should report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity. (GAS 6.39) <ul style="list-style-type: none"> • When entity management fails to satisfy legal or regulatory requirements to report 	<p>For agreed-upon attestation engagements, auditors will report on, as applicable to the objectives of the engagement, and based upon the work performed:</p> <p>Significant deficiencies in internal control, identifying those considered to be material weaknesses;</p> <p>All instances of fraud and illegal acts unless inconsequential;</p> <p>Violations of provisions of contracts or grant agreements and abuse that could have a material effect on the subject matter of the engagement.</p> <p>When any of the instances above are found, the auditor will review and follow GAS Sections 6.33 through 6.43 to ensure proper treatment of the issues identified.</p>	<p>Results or W/P Reference:</p>

<p>such information to external parties specified in law or regulation, auditors should first communicate the failure to report to those charged with governance. If reporting still does not occur, then auditors should report the information directly to the specified external parties.</p> <ul style="list-style-type: none"> • When entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations or abuse that are likely to have a material affect on the financial statements <u>and</u> involves funding from a government agency, auditors should first communicate managements' failure to take timely and appropriate steps to those charged with governance. If timely and appropriate steps are not taken, then auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency. <p>The auditors should comply with these requirements even if they have resigned or been dismissed from the audit prior to its completion. (GAS 6.40) Auditors should obtain sufficient, appropriate evidence such as confirmation from outside parties, to corroborate assertions by management or the entity that the reporting has been made (GAS 6.41). Presentation of findings should develop the elements of the findings to the extent necessary to achieve the audit objectives. (GAS 6.42) Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of work performed. The findings should be related to the population or number of cases examined or other measures as appropriate. If results cannot be projected, the auditors' conclusions should be appropriately limited. (GAS 6.43)</p>		
9. REPORTING STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>REPORTING VIEWS OF RESPONSIBLE OFFICIALS</u>		
<p>If the auditors' report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions. (GAS 6.44-6.50)</p> <p>Auditors should include in their report a copy of the officials' written comments or a summary. Auditors should include a summary of any oral comments received once they are reviewed for accuracy by the responsible officials. (GAS 6.46)</p> <p>Auditors should include in the report an evaluation of the comments, as appropriate. (GAS 6.47)</p>	<p>For all agreed-upon procedures audit reports the auditors will obtain and include in the report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions.</p> <p>A draft report will be provided to the responsible officials for review and comment. Obtaining the comments in writing is preferred, but summarizing oral comments are acceptable.</p>	<p>Results or W/P Reference:</p>

10. REPORTING STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>REPORTING PRIVILEGED AND CONFIDENTIAL INFORMATION</u>		
<p>If certain pertinent information is prohibited from public disclosure or excluded from the report due to confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstance that makes the omission necessary. Auditors should evaluate whether this omission could distort the audit results or conceal improper or illegal practices. Audit organizations subject to public records laws should determine whether these laws could impact the availability of classified or limited use reports and affect how they might communicate results. (GAS 6.51-6.55)</p>	<p>If certain pertinent information is prohibited from public disclosure or excluded from the report due to confidential or sensitive nature of the information, auditors will disclose in the report that certain information has been omitted and the reason or other circumstance that makes the omission necessary.</p> <p>Auditors will evaluate whether this omission could distort the audit results or conceal improper or illegal practices.</p> <p>In the case of confidential or sensitive information, the City Auditor staff will consult City Attorney staff regarding public records laws to determine whether these laws have an impact on how the results should be communicated.</p>	<p>Results or W/P Reference:</p>
11. REPORTING STANDARDS FOR ATTESTATION ENGAGEMENTS: <u>REPORT ISSUANCE AND DISTRIBUTION</u>		
<p>Auditors should document any limitation on report distribution. Government auditors should distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies. As appropriate auditors should also distribute copies of the report to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. (GAS 6.56)</p> <ol style="list-style-type: none"> Internal audit organizations communicate results to the parties who can ensure that the results are given due consideration. Prior to release to parties outside of the organization, the auditors should assess the potential risk to the organization, consult with senior management and/or legal counsel, and control dissemination. Public accounting firms contracted to perform an audit under GAS should clarify report distribution responsibilities with the organization. If the audit firm is to distribute reports, they should reach agreement with the party contracting for the audit about which officials or organizations will receive the report and steps to make the report available to the public. 	<p>Agreed-upon procedures reports will be distributed to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies.</p> <p>The report will be distributed to the City Attorneys Office and to other officials who may be responsible for acting on audit findings and recommendations.</p> <p>The reports will also be posted on the City Auditors website for public disclosure unless prohibited due to the confidential or sensitive nature of the information.</p>	<p>Results or W/P Reference:</p>